

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

CR 12-282 PJS/JJK

UNITED STATES OF AMERICA,)	INDICTMENT
)	
Plaintiff,)	(15 U.S.C. § 78j(b))
)	(15 U.S.C. § 78ff)
v.)	(18 U.S.C. § 981(a)(1)(C))
)	(18 U.S.C. § 982(a)(1))
DAVID LAURENCE MARION,)	(18 U.S.C. § 1349)
)	(18 U.S.C. § 1957)
Defendant.)	(28 U.S.C. § 2461(c))
)	

THE UNITED STATES GRAND JURY CHARGES:

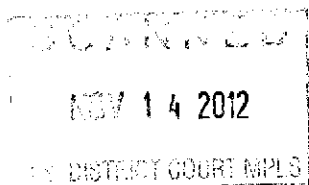
INTRODUCTION

International Rarities Corporation

1. International Rarities Corporation (hereinafter "IRC") was incorporated in Minnesota in 2000, and, at all times relevant to this Indictment, its principal place of business was Minneapolis, Minnesota.

2. At all times relevant to this Indictment, IRC was a privately held company owned solely by Defendant DAVID LAURENCE MARION (hereinafter "MARION"). IRC was in the business of buying, selling and trading gold coins and precious metals, among other things, and declared itself with the Internal Revenue Service as a small business corporation, commonly referred to as an "S Corp."

3. At all times relevant to this Indictment, MARION was a resident of Minnesota and the president of IRC. MARION employed a sales staff who worked as coin and precious metals salespersons at IRC's office in Minneapolis.



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4. At all times relevant to this Indictment, MARION directed and controlled the activities of the sales staff. MARION and IRC's sales staff would "cold call" individuals from "lead" sheets in an attempt to get the individuals to buy, sell or trade coins and precious metals.

5. Based on communications with MARION and his sales staff, customers sent money, coins and precious metals to IRC. When customers sent money to IRC, they expected to receive coins or other precious metals in return. When customers sent coins and other precious metals to IRC, they expected to receive money or the value of their coins or precious metals in the form of another coin or precious metal.

6. From in or about December 2010 through approximately August 2011, IRC received over \$2 million in coins, precious metals and money from customers intending to purchase or exchange coins and precious metals. IRC did not fulfill these orders, and, in August 2011, IRC had over \$2 million in unfulfilled customer orders.

7. When customers inquired about the status of their orders, MARION and the IRC sales staff falsely indicated to customers that their orders were being processed. As a result, customers were led to believe their money, coins and precious metals were safe and secure. These communications concealed from customers the true

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status of their transactions, forestalling legal action by customers and allowing MARION and his sales staff to entice customers to provide additional money and coins to IRC.

8. Meanwhile, MARION used customers' money, coins and precious metals to pay commissions, fulfill other customers' orders, pay salaries and support MARION's family, gambling and lavish lifestyle.

9. When customers requested the return of their money, coins and precious metals, MARION ignored customers' requests or informed customers that their money, coins and precious metals were not available. Customers lost approximately \$1.7 million in money, coins and precious metals as a result of the fraudulent and deceptive practices of MARION and the IRC sales staff.

International Rarities Holdings, Inc.

10. International Rarities Holdings, Inc. (hereinafter "IRH") was incorporated in Nevada by MARION in or about January 2009. At all times relevant to this Indictment, IRH's principal place of business was Minneapolis, Minnesota.

11. IRH is a privately held company. At all times relevant to this Indictment, MARION was the President, Chief Executive Officer, Chairman of the Board, and control person of IRH.

12. In addition to buying, selling and trading coins and precious metals, MARION directed his sales staff to sell securities

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in the form of ownership shares of IRH. MARION provided his sales staff with a script directing the sales staff on what to tell potential investors about the IRH offering. MARION also verbally instructed his sales staff on what to tell potential investors about IRH.

13. Defendant MARION and his sales staff called and offered the IRH investment to potential investors in various states, including Minnesota, Hawaii, Kansas, Indiana, Maryland, New Jersey, Texas, Florida, North Carolina, South Dakota, Arkansas and Oregon.

14. At the time of the offering, MARION was not registered with the Securities and Exchange Commission ("SEC") as a broker or dealer nor was he associated with an entity registered with the SEC as a broker or dealer.

15. Neither IRC nor IRH has ever registered an offering of securities under the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77 et seq., or a class of securities under the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78 et seq.

16. In fact, in April 2009 the SEC rejected MARION's attempt to register the IRH offering as a security.

17. However, the IRH investment offered and sold by MARION, either directly or through others acting in concert with him, were securities, as that term is defined by Section 2(1) of the Securities Act of 1933; Title 15, United States Code,

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Section 77b(a)(1); and Section 3(a)(10) of the Securities Exchange Act of 1934; Title 15, United States Code, Section 77c(a)(10).

18. From at least November 2008 through at least July 2009, MARION and his sales staff raised approximately \$1 million from at least 26 investors who believed they were purchasing ownership shares of IRH.

19. In connection with this raising of funds, MARION and his sales staff issued to investors offering documents, including a Private Placement Memorandum ("PPM"). The PPM contained several false and fraudulent representations which investors relied upon when making an investment in IRH.

20. For example, the PPM states that IRH owns one hundred percent of IRC. In fact, MARION owned one hundred percent of IRC and never transferred any control of ownership shares to IRH or IRH investors. Moreover, IRH could not legally own IRC because an "S Corp," such as IRC, could not be legally owned by a "C Corp" such as IRH.

21. The PPM also stated that IRH had a functioning seven member board of directors, including three independent directors. In fact, several of the purported members of the IRH board of directors never agreed to serve on the IRH board and did not know that MARION had unilaterally deemed them to be board members.

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22. The PPM further stated that the securities being offered were registered with the SEC; however, the securities were not registered with the SEC and, in April 2009, the SEC rejected the IRH offering as a security.

23. Finally, the PPM outlined how investor money would be used, including to expand IRH business through the primary objective of taking the company public, and stated that IRH was currently executing the beginning stages of conducting an Initial Public Offering. In fact, MARION diverted investors' funds for his own personal use and failed to take virtually any substantive action towards taking IRH public.

24. Of the approximately \$1 million raised from investors, approximately \$145,000 was raised before MARION even opened a bank account for IRH. Instead, this money was deposited either into IRC's bank account or directly into MARION'S own personal bank account. Once the IRH bank account was established in January 2009, approximately \$850,000 was deposited into this account. Of the \$850,000, MARION used approximately \$200,000 of investor funds for his own personal use.

COUNT 1

(Conspiracy to Commit Mail and Wire Fraud)

25. The Grand Jury realleges and incorporates the allegations contained in paragraphs 1 through 24 above as if fully set forth herein.

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26. From in or about December 2010 through in or about September 2011, in the State and District of Minnesota and elsewhere, the defendant,

DAVID LAURENCE MARION,

did unlawfully and knowingly conspire, combine, confederate and agree with other individuals known and unknown to the Grand Jury to commit offenses against the United States, that is,

a. to devise and intend to devise a scheme and artifice to defraud and to obtain money and property through material false statements and misrepresentations, and for the purpose of executing the scheme and artifice, to knowingly cause to be sent, delivered, and moved by the United States Postal Service and interstate commercial carrier various mailings, in violation of Title 18, United States Code, Section 1341; and

b. to devise and intend to devise a scheme and artifice to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises, and, for the purpose of executing such scheme, to transmit and cause to be transmitted by means of interstate wire communications certain writings, signs, signals, pictures and sounds, in violation of Title 18, United States Code, Section 1343.

MANNER AND MEANS

27. The manner and means of the conspiracy include the misrepresentations and omissions described in paragraphs 1 through 24 above.

28. Through these manner and means, MARION conspired to obtain and attempted to obtain money approximately \$2.7 million in fraud proceeds through acts committed by MARION and others known

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and unknown to the grand jury in the District of Minnesota and elsewhere.

All in violation of Title 18, United States Code, Section 1349.

COUNT 2
(Securities Fraud)

29. The Grand Jury realleges and incorporates the allegations contained in paragraphs 1 through 24 above as if fully set forth herein.

30. MARION, either personally or through the IRC sales staff at his direction, contacted investors by telephone, email, mail and in person, for the purpose of fraudulently inducing investors to invest in IRH, including by falsely and fraudulently representing that:

- a. IRH owned one-hundred percent of IRC;
- b. IRH had a functioning seven-member board of directors, including three independent directors;
- c. the IRH securities had been registered with the SEC; and
- d. investor funds would be used to expand IRH business through the primary objective of taking the company public, and stated that IRH was currently executing the beginning stages of conducting an Initial Public Offering.

31. It was further part of the scheme to defraud that MARION concealed and omitted material facts, including not telling investors that:

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- a. MARION owned one-hundred percent of IRC;
- b. several of the purported members of the IRH board of directors never agreed to serve on the IRH board and did not know that MARION had unilaterally deemed them to be board members;
- c. the SEC rejected the IRH offering as a security;
- d. MARION diverted investors' funds for his own personal use, including gambling, cash withdrawals and deposits into his own personal accounts; and
- e. IRC had received multiple complaints from customers and was not fulfilling customer orders.

32. Beginning at a time unknown to the Grand Jury, but by at least in or about November 2008, and continuing until in or about March 2010, in the State and District of Minnesota and elsewhere, the defendant,

DAVID LAURENCE MARION,

unlawfully, willfully, and knowingly, directly and indirectly, by use of means and instrumentalities of interstate commerce and of the mails, in connection with the purchase and sale of securities, did use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing a device, scheme and artifice to defraud, (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstance under which they were made, not misleading, and (c) engaging in acts, practices

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and a course of business which would and did operate as a fraud and deceit upon persons, to wit, in or about January 2009, MARION made false and misleading statements and material omissions to investor K.K. in the PPM that induced investor K.K. to invest \$50,000 in IRH, which investor K.K. did on or about January 20, 2009.

All in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

COUNT 3

(Money Laundering)

33. On or about December 30, 2010, in the State and District of Minnesota and elsewhere, the defendant,

DAVID LAURENCE MARION,

did knowingly engage and attempt to engage in a monetary transaction by, through, or to a financial institution, affecting interstate commerce, in criminally derived property or a value greater than \$10,000.00. Specifically, on or about December 30, 2010, MARION deposited into his personal bank account check number 50650, in the amount of \$15,840.42, drawn on the IRC bank account held at US Bank. The \$15,840.42 was derived from a specified unlawful activity, namely, wire fraud.

All in violation of Title 18, United States Code, Section 1957.

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FORFEITURE

Counts 1 through 3 of this Indictment are hereby realleged and incorporated as if fully set forth herein by reference, for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and 982(a)(1), and Title 28, United States Code, Section 2461(c).

As the result of the offenses alleged in Counts 1 and 2 of this Indictment, the defendant shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the violations alleged in Counts 1 and 2 of this Indictment.

As a result of the offense alleged in Count 3 of this Indictment, the defendant shall forfeit to the United States pursuant to Title 18, United States Code, Section 982(a)(1), all property, real or personal, involved in said money laundering violations and all property traceable to such property, including the sum of money involved in Count 3.

If any of the above-described forfeitable property is unavailable for forfeiture, the United States intends to seek the forfeiture of substitute property as provided for in Title 21, United States Code, Section 853(p), as incorporated by Title 18,

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United States Code, Section 982(b)(1) and by Title 28, United States Code, Section 2461(c).

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON